

Q1-2011 Review of performance



Q1-2011 Review of performance conference call

Charles Brindamour	Chief Executive Officer
Mark Tullis	Chief Financial Officer
Martin Beaulieu	SVP, Personal lines
Byron Hindle	SVP, Commercial lines

Charles Brindamour

Chief Executive Officer



Q1-2011 Key points

First quarter highlights

- Net operating income per share of \$0.91 – a strong start to the year
- Healthy combined ratio of 94.6%, above last year's exceptional 93.2%, based on this year's more normal weather conditions
- Growth in direct premiums written of 3% reflects our continued prudent approach to the Ontario auto market
- Operating ROE of 14.8% for the last 12 months, with \$784 million in excess capital
- Book value per share growth of 11% in the past 12 months

Important notes:

- All references to direct premiums written in this document exclude industry pools, unless otherwise noted.
- All references to "excess capital" in this document include excess capital in the P&C insurance subsidiaries at 170% minimum capital test ("MCT") plus liquid assets in the holding company, unless otherwise noted.
- Catastrophe claims are any one claim, or group of claims, equal to or greater than \$5 million, related to a single event.
- All underwriting results and related ratios exclude the market yield adjustment ("MYA"), except if noted otherwise.



12-month industry outlook

We remain well-positioned to continue outperforming the Canadian P&C insurance industry in the current environment

Premium growth

- Industry premiums are likely to increase at a similar pace as in 2010, with mid-single digit growth in personal auto (driven by Ontario); upper-single digit growth in personal property (reflecting the impact of water-related losses and more frequent and/or severe storms); and low single digit growth in commercial lines (with no acceleration from 2010)
- As a result of IFC's disciplined pricing strategy, we are well-positioned to grow organically as other companies reduce their appetite for new business and market pricing becomes more rational

Underwriting

- Despite the potential combined ratio improvement (driven by personal lines), we do not expect the industry's earnings to improve materially in 2011
- Our scale and pricing strategy have historically translated into a combined ratio advantage versus the industry

Return on equity

- We do not expect improvement in industry ROEs in the near term (~7% in 2010), as low yields could offset potential combined ratio improvement
- We believe IFC is likely to outperform the industry's ROE by at least 500 basis points in the next 12 months





We remain confident of our prospects

- Our strategies and action plans continued to pay off:
 - Underwriting remained strong with a combined ratio of 94.6%
 - Net operating income per share of \$0.91
 - Excess capital of over \$784 million at the end of the first quarter
- Disciplined underwriting and robust capital levels place us in a position to continue to outperform the industry and strengthen our leadership position



Mark Tullis

Chief Financial Officer



Financial highlights

(in \$ millions, except as otherwise noted)

	Q1-2011	Q1-2010	Change
Direct premiums written	\$943	\$914	3%
Net underwriting income	\$58	\$69	(16)%
Combined ratio	94.6%	93.2%	1.4 pts
Net operating income per share (in dollars)	\$0.91	\$0.95	(4)%
Earnings per share (in dollars)	\$1.42	\$1.19	19%
Operating ROE for the last 12 months	14.8%	n/a	n/a
ROE for the last 12 months	17.8%	n/a	n/a

- Combined ratio of 94.6% reflects more normal weather patterns and higher catastrophe losses, partly offset by higher favourable prior year development, compared to a year ago.
- Operating ROE of 14.8% (ROE of 17.8%) with an 11% increase in book value per share in the last 12 months.
- Healthy DPW growth in all lines of business except Ontario auto due to our prudent approach to growth.

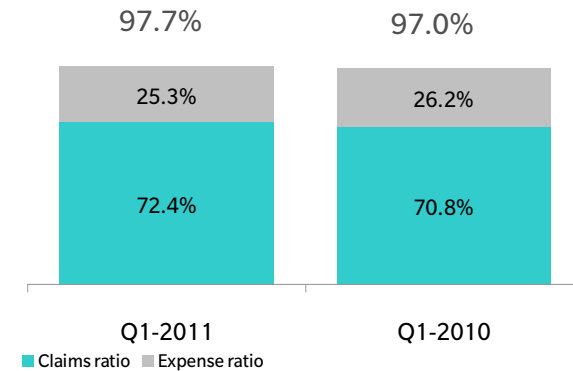


Personal lines impacted by more seasonal weather

(in \$ millions, except as otherwise noted)

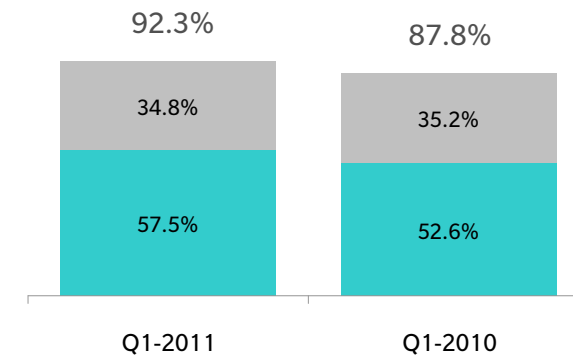
Personal auto	Q1-2011	Q1-2010	Change
Direct premiums written	\$458	\$452	1%
Underwriting income	\$12	\$16	(25)%
Combined ratio	97.7%	97.0%	0.7 pts

Combined ratios



- DPW growth impacted by our prudent approach to new business as Ontario auto reforms unfold. Combined ratio largely unchanged, as meaningful improvements in Ontario offset results in other regions.

Personal property	Q1-2011	Q1-2010	Change
Direct premiums written	\$212	\$202	5%
Underwriting income	\$20	\$29	(31)%
Combined ratio	92.3%	87.8%	4.5 pts



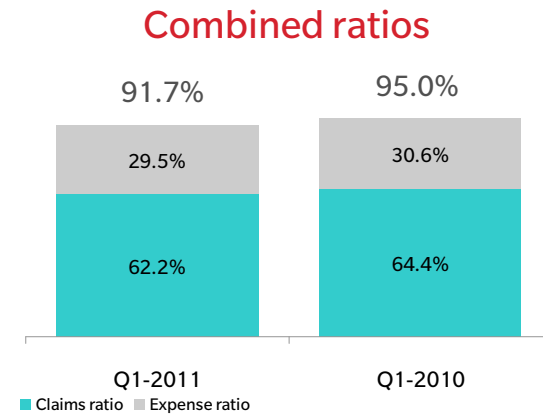
- DPW growth of 5% reflects increases in rates and amounts insured. Combined ratio strong, but higher than Q1-2010's unusually strong 87.8%, on less favourable weather conditions.



Strong results in commercial lines continue

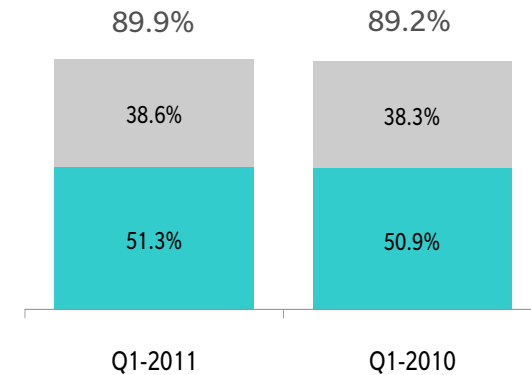
(in \$ millions, except as otherwise noted)

Commercial auto	Q1-2011	Q1-2010	Change
Direct premiums written	\$76	\$71	7%
Net underwriting income	\$7	\$4	75%
Combined ratio	91.7%	95.0%	(3.3) pts



- DPW growth remained solid at 7%. Strong underwriting results more than three points better than a year ago.

Commercial P&C	Q1-2011	Q1-2010	Change
Direct premiums written	\$197	\$190	4%
Net underwriting income	\$19	\$20	(5)%
Combined ratio	89.9%	89.2%	0.7 pts



- Very strong combined ratio, again below 90%, helped by favourable prior year development. DPW growth of 4% as retention holds despite more than 2% rate increases at renewal.



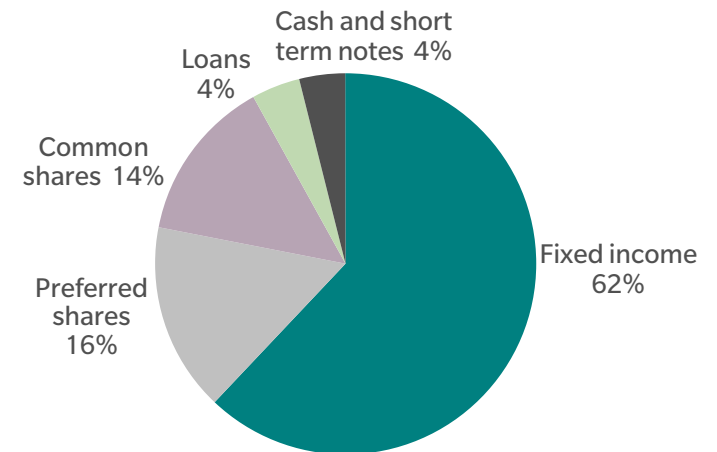
High quality investment portfolio

Net investment gains (losses)

(in \$ millions, except as otherwise noted)

	Q1-11	Q1-10	Change
Debt securities			
Gains on fixed income securities & related derivatives	1	6	(5)
Equity securities			
Gains, net of stand-alone derivatives	98	51	47
Impairment losses	(2)	(3)	1
Losses on embedded derivatives	(13)	(10)	(3)
Gains on equity securities & related derivatives	83	38	45
Total gains excl. FVTPL debt securities	84	44	40
Losses on FVTPL debt securities	(22)	(4)	(18)
Total net gains, before income taxes	62	40	22

\$8.6 billion in investments



Note: Investment mix is net of hedging positions.

Healthy investment portfolio

- Approx. 99% of bonds are rated A or better
- 80.4% of preferred shares are rated P1 or P2
- \$73 million in net investment income
- Market based yield of 4.0%

Transition to IFRS: impact on 2010 profitability

Reconciliation of the key profitability indicators:

(in \$ millions, except as otherwise noted)

For the year ended December 31, 2010

	Canadian GAAP	Employee future benefits and other adjustments	Financial instruments	IFRS
Net income	420	(4)	81	497
Net operating income	399	3	-	402
EPS – basic and diluted (in \$)	3.65	(0.03)	0.70	4.32
NOIPS (in \$)	3.47	0.03	-	3.50
ROE for the last 12 months	13.9%	0.2 pts	2.8 pts	16.9%
Operating ROE for the last 12 months	13.2%	1.8 pts	-	15.0%

- The impact of adopting IFRS in 2010 on NOIPS was minimal, at \$0.03.
- EPS and ROE were impacted by a greater amount, when compared to Canadian GAAP.
 - EPS: due to a higher level of realized gains resulting from the retrospective application of impairment rules on AFS equity instruments.
 - ROE: due to these realized gains, as well as the reduction in equity from the transition adjustment related to employee future benefits.



Transition to IFRS: impact on financial position

Reconciliation of the key financial position indicators:

(in \$ millions, except as otherwise noted)

As at December 31, 2010

	Canadian GAAP	Employee future benefits and other adjustments	Financial instruments	IFRS
Total assets	12,149	(74)	-	12,075
Total liabilities	9,079	27	-	9,106
Share capital & contributed surplus	1,089	-	-	1,089
Retained earnings	1,894	(70)	(228)	1,596
AOCI (loss)	87	(31)	228	284
Shareholders' equity	3,070	(101)	-	2,969
Book value per share (in \$)	27.37	(0.90)	-	26.47

- Transition adjustment related to recognizing actuarial gains and losses on employee future benefits immediately in equity reduced book value per share by \$0.90.
- The reclassification from OCI to opening retained earnings for impairments which would have occurred prior to Jan. 1, 2010 under IFRS rules had no impact on shareholders' equity.



Strong capital position enables us to return capital

Strong balance sheet

- Financial position remains very strong with \$784 million in excess capital, based on MCT of 170%
- Our ratio of debt to total capital remains low at 14.4%, with additional debt capacity of about \$241 million before reaching our optimal target ratio of 20%

NCIB update as of May 2, 2011

- Number of shares purchased: 711,900
- Average price per share: \$47.49
- Total cost to date: \$33.8 million
- % of total NCIB purchased to date: 12.9%
- Number of outstanding shares: 109.5 million



Strategic, operational and financial strength



- Largest P&C insurance company with substantial scale advantage in the market
- Strong financial position
- Excellent long-term earnings power
- Organic growth platforms easily expandable
- M&A environment more conducive to consolidation
- Well-positioned as industry pricing conditions continue to improve

Disciplined pricing, underwriting, investment and capital management have positioned us well for the future





Forward-looking statement disclaimer

Certain of the statements in this document about the company's current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or any other future events or developments constitute forward-looking statements. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "trends", "indications", "anticipates", "believes", "estimates", "predicts", "likely" or "potential" or the negative or other variations of these words or other similar or comparable words or phrases, are intended to identify forward-looking statements. Forward-looking statements are based on estimates and assumptions made by management based on management's experience and perception of historical trends, current conditions and expected future developments, as well as other factors that management believes are appropriate in the circumstances. Many factors could cause the company's actual results, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors: the company's ability to implement its strategy or operate its business as management currently expects; its ability to accurately assess the risks associated with the insurance policies that the company writes; unfavourable capital market developments or other factors which may affect the company's investments and funding obligations under its pension plans; the cyclical nature of the P&C insurance industry; management's ability to accurately predict future claims frequency; government regulations; litigation and regulatory actions; periodic negative publicity regarding the insurance industry; intense competition; the company's reliance on brokers and third parties to sell its products; the company's ability to successfully pursue its acquisition strategy; its ability to execute its business strategy; the company's participation in the Facility Association (a mandatory pooling arrangement among all industry participants); terrorist attacks and ensuing events; the occurrence of catastrophic events; the company's ability to maintain its financial strength ratings; the company's ability to alleviate risk through reinsurance; the company's ability to successfully manage credit risk (including credit risk related to the financial health of reinsurers); the company's reliance on information technology and telecommunications systems; the company's dependence on key employees; general economic, financial and political conditions; the company's dependence on the results of operations of its subsidiaries; the volatility of the stock market and other factors affecting the company's share price; and future sales of a substantial number of its common shares. All of the forward-looking statements included in this document are qualified by these cautionary statements. These factors are not intended to represent a complete list of the factors that could affect the company; however, these factors should be considered carefully, and readers should not place undue reliance on forward-looking statements made herein. The company and management have no intention and undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.



Q2-2011 Earnings conference call
Thursday August 4, 2011

